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C O N F I D E N T I A L MADRID 000484

SIPDIS

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SUBJECT: SPANISH PRESIDENT'S ECONOMIC ADVISOR COMMENTS ON  
AZNAR TRADE INITIATIVE

REF: A) MADRID 188 B)MADRID 181

Classified By: ECONOMIC COUNSELOR JUDY GARBER, REASON 1.5 (B) AND (D).

1. (SBU) On February 11 we spoke with Roman Escolano, Economic Advisor to Spanish President Jose Maria Aznar to get an update (since reftels A and B) on where Aznar's initiative for barrier-free transatlantic trade is going. Escolano confessed that the GOS is in an anomalous situation -- a month ago Aznar launched his idea, but less than two months from now Aznar's administration will be history. While it is almost a given that Aznar's party, the Popular Party, will win the elections, this administration is not in a position to make promises for the next government. Escolano said the GOS would be satisfied if they could just plant the seed at the March Council of Europe and wait for the next Commission and enlarged EU to actually work on the idea.

2. (C) Escolano confessed that he was expecting a very hostile reaction from the Commission and some Member States following Aznar's January 2004 speech to the U.S. Chamber of Commerce. Instead, he was pleasantly surprised that a "majority" of Member States and EU External Relations Commissioner Chris Patten were supportive. Even EU Trade Commissioner Pascal Lamy was only mildly hostile. The Germans and French have said nothing directly to the Spanish, which Escolano interprets as a good sign. On the other hand, the UK, who the Spanish were counting on for support since British Chancellor of the Exchequer Gordon Brown had suggested a similar initiative, had not been as forthcoming as expected. He also told us that they had not received a response to their letter explaining the initiative from EU President Romano Prodi, but had really not been expecting one. They understand he is contemplating his own future and won't likely be interested in new initiatives at this stage. The Spanish hope that there will be enough Member State support to put the Aznar Initiative on the March Council agenda. The Irish Presidency is open to doing so provided it has some signal of support from the larger Member States.

3. (SBU) Also important, Escolano said, are the missing words of support from high-level USG officials. We replied that Washington has looked at the idea with interest, and that Commerce Secretary Evans had discussed it enthusiastically in Davos, however the USG was looking for more details. Escolano said that providing details up front would be a mistake since it would focus opposition. With the U.S., Spain, other Member States and the Commission all looking at elections and changes, the time was wrong for fleshing out Aznar's initial vision. The GOS feels the details should come after there is support for the concept in general.

4. (C) Escolano said the GOS also would be watching closely to see if the issue is discussed at the British-German-French Tripartite Meeting on February 18, and if such a discussion results in an endorsement (or rejection) of the idea. He said the meeting could be key to the future viability of the initiative as he is concerned that the lukewarm response from the UK might be a signal that the UK is willing to sacrifice its traditional support for a broad transatlantic economic area to achieve other objectives. The Tripartite Meeting was clearly a sore point for Escolano. Whereas last year, he said, the Tripartite Meeting could be easily understood by other member states as necessary to mend rifts that arose during the run-up to the war in Iraq. But now, Italy and Spain are watching with caution as the get-together is taking on all the trappings of a permanent meeting. Escolano described it as an alliance against the nature of the EU, against the idea that all Member States, no matter how small, have a role. He lamented that the EU risked becoming an institution in which the only constant would be the ongoing fight over its budget.

5. (C) COMMENT: It was evident from our discussion that Escolano realizes that the timing of the Aznar Initiative is far from perfect, both in terms of the GOS ability to follow-up and of Commission interest to engage. For better or worse, Aznar put this idea on the table and his staff will try to secure the momentum and support to keep it alive for the next Spanish government and Commission. The initiative's

inclusion on the March Council agenda will likely be key to keeping the chatter surrounding the initiative alive.  
MANZANARES